

PROSPECTUS

117,150 Shares Northern Ohio Telephone Company Common Stock (Par value \$10 per share)

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The Company is offering the above stock for subscription to the holders of its Common Stock. Transferable subscription warrants evidencing such subscription rights will be void after 3:00 P.M., E.D.T., on May 26, 1954. See "Offering to Shareholders" herein.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Subscription Price	Underwriting Commission (1)	Proceeds to Company (1) (2)
Per share	\$23.50	\$1.40	\$22.10
Total	\$2,753,025	\$164,010	\$2,589,015

(1) Subject to the terms of the Underwriting Agreement, the Underwriters have agreed to purchase at the Subscription Price all stock offered hereby which is not subscribed through exercise of subscription warrants. The Company has agreed to indemnify the Underwriters against certain possible civil liabilities under the Securities Act of 1933.

(2) Before deducting expenses payable by the Company, estimated to be \$23,500.

Before and after the expiration of the subscription warrants, the Underwriters may offer Common Stock, including Common Stock purchased through the acquisition and exercise of subscription warrants, at the Subscription Price, less, in the case of sales to dealers, the amount of any concession allowed to dealers.

All offers and sales may be either firm or subject to allotment, and where made before the expiration of the subscription warrants, subject to prior subscription through exercise of subscription warrants, or otherwise, and may be made in anticipation of the purchase of Common Stock under the Underwriting Agreement or through the exercise of subscription warrants.

The Representatives of the Underwriters have entered into agreements with the holders of 208,799 shares of the outstanding Common Stock of the Company whereby said holders, in consideration of the execution of the Underwriting Agreement, have agreed to transfer to the Underwriters rights to subscribe to an aggregate of 100,207 of the shares offered hereby and have agreed not to sell any of the shares owned by such holders for a period of ninety days following the effective date of the Registration Statement relating to the shares offered hereby. During the subscription period the Underwriters may enter into similar agreements with additional shareholders.

The Underwriters include:
HAYDEN, MILLER & CO.

McDONALD & COMPANY

LAWRENCE COOK & COMPANY

MERRILL, TURBEN & CO.

The date of this Prospectus is May 12, 1954.

No dealer, salesman or any other person is authorized by the Company or by any of the Underwriters to give any information or to make any representation other than as contained in this Prospectus in connection with the offering described herein. The delivery of this Prospectus at any time does not imply that information herein is correct as of any time subsequent to its date of issue. This Prospectus does not constitute an offer by any Underwriter within any state to any person to whom it is unlawful for such Underwriter to make such offer within such state.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AND SUBSCRIPTION WARRANTS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

117,150 Shares

NORTHERN OHIO TELEPHONE COMPANY

COMMON STOCK
(Par value \$10 per share)

Transfer Agent and Registrar
CENTRAL NATIONAL BANK OF CLEVELAND
Cleveland, Ohio

OFFERING TO SHAREHOLDERS

Northern Ohio Telephone Company (herein called the "Company") hereby offers to the holders of its Common Stock of record at the close of business on May 12, 1954, the right (evidenced by subscription warrants, which are herein called "warrants") to subscribe at the Subscription Price per share set forth in the tabulation on the cover page of this Prospectus for 117,150 of its authorized and unissued shares of Common Stock (herein called "Additional Common Shares"), at the rate of one Additional Common Share for each two shares of Common Stock held. The rights to subscribe to Additional Common Shares are herein called "rights". Two rights are required for a subscription to each Additional Common Share. The Company is mailing to shareholders entitled thereto transferable warrants, exercisable only for amounts calling for full shares, evidencing such rights to subscribe for Additional Common Shares. The warrants are in registered form transferable on presentation at Central National Bank of Cleveland, 123 Prospect Avenue, S.W., Cleveland 1, Ohio, Warrant Agent for the Company.

The warrants are divisible into warrants of smaller denominations at the office of the Warrant Agent. No fractional Additional Common Shares will be issued, but warrants calling for fractional shares may be combined to permit subscription for one or more full shares.

Expiration Date. Warrants will be void after 3:00 P.M., E.D.T., on May 26, 1954, (herein called the "Expiration Date").

Method of Exercising Rights. Rights may be exercised by the surrender at or before the Expiration Date at the office of the Warrant Agent of warrants properly executed, together with payment in full of the Subscription Price. Such payment must be in United States dollars and may be in cash, check or postal or express money order, payable to the Warrant Agent.

Purchase and Sale of Rights. Rights may be bought or sold through banks, brokers or investment houses.

Telegraphic Acceptance. If, at or before the Expiration Date, the Warrant Agent shall have received in full the subscription price in Cleveland funds by telegram or otherwise, together

with a guarantee in writing or by telegram from a bank, trust company or a member firm of the New York Stock Exchange, American Stock Exchange or Midwest Stock Exchange that the warrants with respect to the shares subscribed for will be promptly surrendered to the Warrant Agent, such subscription will be promptly surrendered to the Warrant Agent, such subscription will be accepted subject to withholding delivery of the shares so subscribed until receipt of the duly executed warrant or warrants.

Delivery of Stock Certificates. Certificates for Additional Common Shares subscribed by the exercise of rights will be delivered as soon as practicable after the subscription has been made.

Sale of Unsubscribed Shares to Underwriters. Any of the Additional Common Shares which are not subscribed for pursuant to the foregoing offer (herein called "Unsubscribed Shares") are to be sold, subject to the terms and conditions of the Underwriting Agreement described herein under "Underwriting", by the Company to the Underwriters named herein, at the Subscription Price.

PURPOSE OF ISSUE

Of the net proceeds to be received by the Company from the sale of the Additional Common Shares, \$350,000 will be used to repay moneys borrowed from The Chase National Bank of the City of New York and the balance will be used to reimburse the treasury of the Company for additions and betterments to the property made from current funds and assets.

Authority has been granted by the Public Utilities Commission of Ohio to capitalize expenditures made by the Company between January 1, 1952 and December 31, 1953 in the amount of \$3,180,190.52 for additions and betterments to the Company's property and plant.

The Company is engaged in an aggressive policy of plant improvements which include the conversion of its eleven remaining manual exchanges, representing less than 10% of its total telephones, to automatic or dial operation, the replacement of multi-crossarm rural leads with lead cables, and the extension and increase of its plant facilities to serve adequately all applicants in its operating area.

During the year 1953 net additions to Plant and Equipment were in excess of \$1,355,000, including a new toll center switchboard at Norwalk with 30 operators' positions, a nine position addition to the Medina toll center switchboard, a new 200 line automatic exchange at Brunswick, and major additions to automatic central office equipment at Bellevue, Bowling Green, Crestline, Curtice, Galion, Medina, Montrose, Port Clinton, Wadsworth and Willard.

During 1954 new fire-proof exchange buildings will be completed at Carey, Elmore and Grand Rapids, with a substantial addition to the Bellevue General Office building, new automatic exchanges will be installed and placed in service at Carey and Grand Rapids, larger automatic exchanges will replace outgrown dial exchanges at Elmore and Milan, and extensive additions will be made to underground conduit systems in Carey and Norwalk. Total net additions to Plant and Equipment planned for the years 1954 and 1955 are estimated at \$2,350,000.

The time and method of procuring necessary additional funds will depend on construction cost levels, security market conditions and other related factors.

FUNDED DEBT AND CAPITAL STOCK

The funded debt and capital stock of the Company outstanding as of March 31, 1954, and to be outstanding after issuance of the Additional Common Shares is as follows:

<u>Title or Class</u>	<u>Authorized</u>	<u>Outstanding as of March 31, 1954</u>	<u>Outstanding after sale of Additional Common Shares</u>
First Mortgage Bonds (1)	\$15,000,000		
3 $\frac{1}{4}$ % Series, due Aug. 1, 1965		\$2,752,000	\$2,752,000
2 $\frac{7}{8}$ % Series, due Nov. 1, 1980		1,600,000	1,600,000
3 $\frac{1}{2}$ % Series, due Nov. 1, 1982		1,800,000	1,800,000
Total		\$6,152,000	\$6,152,000
Capital Stock			
Preferred Stock (cumulative; par value \$100 per share)			
5% Preferred Stock, Class A	12,000 shs.	12,000 shs.	12,000 shs.
5% Preferred Stock, Class B	26,000 shs.	12,376 shs.	12,376 shs.
4 $\frac{1}{2}$ % Preferred Stock	20,000 shs.	20,000 shs.	20,000 shs.
4 $\frac{1}{4}$ % Preferred Stock	12,000 shs.	12,000 shs.	12,000 shs.
Future series (2)	30,000 shs. (2)	none	none
Common Stock (par value \$10)	700,000 shs.	234,300 shs.	351,450 shs.

- (1) These bonds are issued under a First Mortgage Trust Deed, dated February 1, 1927, and eight indentures supplemental thereto. The aggregate principal amount of bonds which may be issued under the First Mortgage Trust Deed is limited to \$15,000,000. Bonds in addition to the \$6,152,000 now outstanding may be issued subject to the limitation above stated and in accordance with the conditions and restrictions set forth in the First Mortgage Trust Deed and the indentures supplemental thereto. The First Mortgage Trust Deed, as supplemented, provides for sinking fund payments each year in an amount equal to 1% of the aggregate principal amount of bonds issued (whether or not then outstanding). The aggregate principal amount of bonds issued is \$6,200,000. The Company may certify to the Trustee the cost or fair value, whichever is less, of permanent additions to the Company's property, not theretofore used as the basis for issuing additional bonds or as a credit on the sinking fund, and 60% of the amount so certified shall be accepted in lieu of sinking fund payments. Restrictions on the payment of dividends are described under "Description of Common Stock" herein.
- (2) Under the Company's Articles of Incorporation the Board of Directors has the power to create and issue other series of the Preferred Stock out of the 30,000 shares not yet classified, which series shall be on a parity with existing series but may differ as to dividend rate, redemption price and liquidation price.

BUSINESS AND TERRITORY

The Company was incorporated November 11, 1926, under the laws of the State of Ohio for the purpose of conducting a business of commercial communications by means of electric telephone, telegraph or other wired or wireless apparatus, devices and equipment, with authority to construct, acquire, lease and operate all necessary property and appliances. On March 22, 1927, the Company acquired all of the property, plant and equipment of eight operating telephone companies which had been organized at various dates from 1897 to 1926 and were currently operating telephone lines and exchanges, principally in Bellevue, Bowling Green, Galion, Oberlin, Port Clinton, Norwalk, Crestline, Willard, Medina and nineteen additional locations in Ohio.

Following the initial acquisition of said telephone properties the Company, during the period from 1927 to date, has acquired the property rights and business of 21 other telephone companies and is now engaged in furnishing local exchange telephone service, without competition, over its own lines and equipment to subscribers in 66 cities, villages and communities located in 24 counties in north central Ohio and in furnishing long distance telephone service over its own lines, over the connecting lines of other adjacent independent telephone companies and over the connecting lines of The Ohio Bell Telephone Company and of American Telephone and Telegraph Company. The territory served by the Company is indicated on the map appearing in this Prospectus.

The Company estimates that the population of the area served by its telephone system is between 450,000 and 500,000.

The Company is an operating telephone company, is not controlled by any other company, and has no subsidiaries.

DEVELOPMENTS DURING RECENT YEARS

When the Company commenced business in 1927 it served 23,608 telephones through 27 central offices or exchanges and had a total book investment in telephone property and plant of \$3,161,831.31. At March 31, 1954, the Company served 85,215 telephones through 66 central offices and its total book investment in telephone plant was \$19,622,000.19.

On January 1, 1949, the Company purchased The Star Telephone Company of Ashland, with 15 exchanges and 14,292 telephones. As of January 1, 1951, The Mifflin and Widowville Telephone Company, with an exchange at Mifflin, and on January 1, 1954, The Farmers Telephone Company, with exchanges at Perrysville and Jeromesville, all in Ashland County, were acquired. The addition of these three Companies added 15,464 telephones and telephone property and plant in the total amount of \$4,016,526.72.

The tabulation set forth below lists the 66 exchanges of this Company and the type of exchange service provided, together with the number of telephones served by the Company at the beginning of each of the past six years and as of March 31, 1954.

Number of Company-Owned Telephones

Location of Exchange	Type of Service	Number of Company-Owned Telephones						
		Jan. 1 1949	Jan. 1 1950	Jan. 1 1951	Jan. 1 1952	Jan. 1 1953	Jan. 1 1954	Mar. 31 1954
Ashland	Automatic	6,242	6,482	6,924	7,224	7,464	7,718	7,777
Ashley	Automatic	351	369	420	427	458	460	458
Attica	Common Battery*	504	531	577	605	632	650	657
Bellevue	Automatic	3,099	3,265	3,429	3,595	3,733	3,846	3,861
Berlin Heights	Automatic	302	309	366	376	392	392	405
Bowling Green	Automatic	2,770	3,041	3,370	3,769	4,076	4,201	4,247
Brunswick	Automatic	395	468	565	694	762	823	841
Burbank	Automatic	189	186	187	194	200	200	200
Carey	Common Battery*	1,137	1,220	1,262	1,324	1,383	1,378	1,380
Cheshire Center	Automatic	247	264	291	299	331	347	343
Chippewa Lake	Automatic	197	220	249	268	291	306	309
Clyde	Automatic	1,619	1,751	1,916	2,083	2,195	2,314	2,350
Congress	Automatic	172	183	187	188	194	198	195
Crestline	Automatic	1,540	1,627	1,702	1,830	1,926	1,967	1,979
Creston	Automatic	417	426	447	463	504	525	524
Curtice	Automatic	337	351	879	1,148	1,337	1,504	1,544
Delaware	Automatic	4,317	4,520	4,752	4,944	5,169	5,333	5,422
Elmore	Automatic	537	574	659	715	752	800	820
Fitchville	Magneto*	94(1)						
Galion	Automatic	3,429	3,701	3,936	4,201	4,441	4,587	4,634
Genoa	Automatic	668	749	721	809	886	954	991
Grafton	Automatic	333	365	414	443	508	561	565
Grand Rapids	Magneto*	478	457	477	497	529	541	539
Greenwich	Automatic	579	605	642	660	662	695	704
Haskins	Automatic	129	149	152	170	185	187	190
Homerville	Automatic	121	122	124	129	131	133	133
Huron	Automatic	957	1,103	1,207	1,385	1,529	1,622	1,631
Jeromesville	Magneto*						450(2)	457
Kelley Island	Automatic	75	83	89	87	85	89	88
Kilbourne	Automatic	180	178	195	200	217	220	221
Lakeville	Automatic	124	120	121	130	136	140	139
Leroy	Automatic				218(3)	248	267	268
Lodi	Automatic	800	867	883	930	958	988	986
Loudonville	Common Battery*	1,260	1,268	1,289	1,325	1,357	1,364	1,378
Marblehead	Automatic	359	383	443	469	538	621	639
McComb	Magneto*	600	606	625	645	670	684	685
Medina	Automatic	2,943	3,087	3,266	3,478	3,659	3,898	3,956
Mifflin	Magneto*			196(4)	211	203	217	220
Milan	Automatic	439	468	486	520	557	591	613
Montrose	Automatic	1,011	1,110	1,366	1,546	1,696	1,880	1,916

Number of Company-Owned Telephones (Continued)

Location of Exchange	Type of Service	Number of Company-Owned Telephones						
		Jan. 1 1949	Jan. 1 1950	Jan. 1 1951	Jan. 1 1952	Jan. 1 1953	Jan. 1 1954	Mar. 31 1954
Monroeville	Automatic	533	549	610	641	670	705	728
New London	Common Battery*	812	961	1,023	1,072	1,144	1,168	1,185
New Washington	Automatic	424	429	467	511	534	560	560
North Baltimore	Automatic	703	758	809	863	922	956	972
Norwalk	Automatic	4,017	4,203	4,406	4,622	4,813	4,977	5,019
Oak Harbor	Automatic	1,006	1,073	1,167	1,335	1,462	1,555	1,624
Oberlin	Automatic	2,603	2,694	2,782	2,868	2,993	3,114	3,150
Ostrander	Automatic	254	255	265	284	300	298	296
Pemberville	Common Battery*	368	373	411	445	508	544	548
Perrysville	Magneto*						526(2)	528
Plymouth	Common Battery*	476	498	536	583	622	639	643
Polk	Automatic	261	286	270	280	293	295	296
Port Clinton	Automatic	2,444	2,619	2,941	3,234	3,412	3,760	3,760
Put-In-Bay	Automatic	169	174	178	182	219	213	211
Radnor	Automatic	157	173	177	174	178	182	186
Red Haw	Automatic	216	222	227	240	242	239	239
River Styx	Automatic	191	200(5)					
Savannah	Automatic	222	243	243	245	244	258	261
Seville	Automatic	641	666	701	526	567	573	576
Sharon Center	Automatic	520	547	589	627	667	700	712
Tontogany	Automatic	130	136	144	150	192	210	211
Valley City	Automatic	254	277	288	321	360	371	376
Wadsworth	Automatic	3,083	3,251	3,651	3,857	4,071	4,282	4,334
Wakeman	Automatic	274	294	301	339	348	367	368
Wayne	Automatic	302	360	431	566	628	659	668
Weston	Automatic	468	481	546	598	624	656	655
West Salem	Automatic	349	353	361	382	392	393	398
Willard	Automatic	2,085	2,119	2,197	2,277	2,374	2,418	2,446
Total Telephones		61,913	65,402	70,535	75,421	79,773	84,269	85,215

Note (1) Combined with New London exchange July 1, 1949.

Note (2) Acquired January 1, 1954.

Note (3) New exchange established August 1, 1951 from part of Seville exchange.

Note (4) Acquired January 1, 1951.

Note (5) Combined 165 telephones with Sharon Center and Wadsworth exchanges June 1950 and 35 telephones with Medina exchange on Dec. 1, 1950.

*Local exchange service provided through a manually operated switchboard.

The number of long distance or toll calls completed from telephones owned and served by the Company in the period from January 1, 1949 to March 31, 1954, are set forth below:

January 1 — December 31, 1949	4,314,401
January 1 — December 31, 1950	4,732,486
January 1 — December 31, 1951	5,124,571
January 1 — December 31, 1952	5,470,947
January 1 — December 31, 1953	5,898,832
January 1 — March 31, 1954	1,447,914

Local exchange service is provided on a flat rate basis without limit as to number of calls. The average local calling rate, as estimated by the Company, is 4.4 calls per telephone each twenty-four hours or approximately 375,000 local calls each day.

During the period January 1, 1949 to March 31, 1954 the Company made net additions to property, plant and equipment of \$11,967,650.44 as follows:

<u>Period Ended</u>	<u>Gross Additions(1)</u>	<u>Retirements or Sales</u>	<u>Net Additions</u>
December 31, 1949	\$ 5,388,350.75 (2)	\$ 572,952.25	\$ 4,815,398.50 (2)
December 31, 1950	2,213,139.50	570,403.33	1,642,736.17
December 31, 1951	2,379,439.32 (3)	646,729.41	1,732,709.91 (3)
December 31, 1952	2,808,187.70 (4)	979,500.77	1,828,686.93 (4)
December 31, 1953	2,125,498.77	765,838.69	1,359,660.08
March 31, 1954	737,930.66 (5)	149,471.81	588,458.85 (5)
 Totals	 \$15,652,546.70	 \$3,684,896.26	 \$11,967,650.44

- (1) At cost to the Company, except with respect to the property of the three telephone companies described in Notes 2, 3, 4 and 5.
- (2) Includes \$3,593,743.24 constituting the valuation fixed by the Public Utilities Commission of Ohio (reproduction cost new) of the properties of The Star Telephone Company acquired by the Company as an entirety. At the time of acquisition the Commission fixed the depreciation of said properties at \$577,106.46, which amount was added to the Company's depreciation reserve.
- (3) Includes \$55,313.43, constituting the valuation fixed by the Public Utilities Commission of Ohio (reproduction cost new) of the property of The Mifflin and Widowville Telephone Company, acquired by the Company as an entirety. At the time of acquisition the Commission fixed the depreciation of said property at \$42,027.69, which amount was added to the Company's depreciation reserve.
- (4) In 1952 accountants of the Public Utilities Commission of Ohio re-determined their valuation originally fixed in 1949 for purchase of the properties of The Star Telephone Company, increasing their valuation (reproduction cost new) from \$3,593,743.24 to \$3,826,460.42, and increased the depreciation from \$577,106.46 to \$756,000, which increase of \$178,893.54 was added to the Company's depreciation reserve.
- (5) Includes \$124,411.96, constituting the valuation fixed by the Public Utilities Commission of Ohio (reproduction cost new) of the property of The Farmers Telephone Company of Perrysville, Ohio, acquired by the Company as an entirety. At the time of acquisition the Commission fixed the depreciation of said properties at \$51,169.30, which amount was added to the Company's depreciation reserve.

SUMMARY OF EARNINGS

The following summary of earnings of the Company for the ten years and three months ended March 31, 1954, and the three months ended March 31, 1953, was compiled from financial statements of the Company. The summary for the period of five years from January 1, 1949, through December 31, 1953, inclusive, has been reviewed by Messrs. Ernst & Young.

	Year Ended December 31,			
	1944	1945	1946	1947
Operating Revenues				
Local service revenues	\$ 955,141	\$ 991,449	\$1,089,916	\$1,182,746
Toll service revenues	554,931	634,555	711,698	746,146
Directory advertising and sales	23,509	29,457	37,833	60,146
Miscellaneous	11,491	12,337	11,953	12,337
Less provision for uncollectible revenues	6,544*	2,919*	2,442*	2,442*
Total Operating Revenues	\$1,538,528	\$1,664,879	\$1,848,958	\$1,998,522
Operating Expenses				
Current maintenance	\$ 162,527	\$ 174,970	\$ 228,820	\$ 339,146
Depreciation expense	226,553	231,767	257,745	257,745
Traffic expenses	191,913	221,249	287,857	360,146
Commercial expenses	70,868	79,100	89,848	104,146
General office expenses	54,408	59,561	71,824	86,146
Other operating expenses	37,136	63,634	48,501	48,501
Total Operating Expenses	\$ 743,405	\$ 830,281	\$ 984,595	\$1,196,522
Operating Taxes				
Federal taxes on income	\$ 418,003	\$ 463,159	\$ 323,441	\$ 256,146
Adjustment of prior years taxes	12,822*	54,008*	36,483*	27,146
Other	405,181	409,151	286,958	229,146
Total Operating Taxes	\$ 513,982	\$ 515,568	\$ 396,337	\$ 351,146
Net Operating Income	\$ 281,141	\$ 319,030	\$ 468,026	\$ 450,146
Other Income	954	7,950	15,205	3,146
Other Deductions	282,095	326,980	483,231	454,146
Net Income before Fixed Charges	\$ 277,023	\$ 323,642	\$ 478,743	\$ 450,146
Fixed Charges				
Interest expense on funded debt	\$ 77,590	\$ 68,986	\$ 56,940	\$ 56,940
Amortization of discount on funded debt	4,729	3,329	1,000	1,000
Other interest	—	—	3,651	—
Total Fixed Charges	\$ 82,319	\$ 72,315	\$ 61,591	\$ 57,940
Net Income	\$ 194,704	\$ 251,327	\$ 417,152	\$ 392,146
Dividends on Preferred Stock	81,652	83,053	77,783	66,146
Balance Available for Common Stock	\$ 113,052	\$ 168,274	\$ 339,369	\$ 326,146
Common Stock Earnings Per Share—Note A..	.48	.72	1.45	1.45

Note A—Computed on basis of 234,300 shares outstanding at January 1, 1954.

Note B—Net income shown in this summary is \$102,791 greater than the amount shown in the accompanying statement of income due to the subsequent receipt of additional toll service revenue aggregating \$228,424 after adjustment for applicable taxes of \$125,633.

Note C—Reported income includes sundry charges and credits (principally adjustment of prior year provisions and, in 1948, additional toll service revenue) previously included in the surplus account.

& Ernst, independent public accountants, as set forth in their report included elsewhere in this Prospectus. The summary of earnings for the period of three years from January 1, 1951, through December 31, 1953, should be read in conjunction with the accompanying financial statements and related notes.

Year Ended December 31,						Three Months Ended March 31, (Unaudited)	
1948	1949	1950	1951	1952	1953	1953 (Note D)	1954 (Notes D, E)
27,003	\$1,976,880	\$2,246,916	\$2,451,360	\$2,603,991	\$3,222,994	\$ 673,137	\$ 898,355
18,887	1,199,902	1,334,469	1,555,733	1,666,402	2,170,773	499,559	516,784
79,383	128,059	127,440	145,283	173,103	203,106	46,543	54,516
11,973	29,297	35,149	39,267	37,797	41,941	9,972	11,823
2,083*	2,326*	1,994*	12,798*	12,000*	12,000*	3,000*	3,750*
35,163	\$3,331,812	\$3,741,980	\$4,178,845	\$4,469,293	\$5,626,814	\$1,226,211	\$1,477,728
73,852	\$ 445,497	\$ 492,402	\$ 594,139	\$ 736,851	\$ 641,940	\$ 148,797	\$ 176,872
74,940	405,313	451,978	496,536	567,284	633,365	158,341	171,673
54,958	715,111	738,575	821,739	874,081	930,244	217,517	228,783
32,867	195,847	183,037	219,421	258,479	277,160	63,142	69,739
00,057	145,828	163,309	155,828	151,250	159,220	38,828	43,367
72,803	90,800	66,472	66,358	208,322	196,264	40,767	51,880
09,477	\$1,998,396	\$2,095,773	\$2,354,021	\$2,796,267	\$2,838,193	\$ 667,392	\$ 742,314
25,686	\$1,333,416	\$1,646,207	\$1,824,824	\$1,673,026	\$2,788,621	\$ 558,819	\$ 735,414
41,497	\$ 407,507	\$ 586,889	\$ 765,504	\$ 624,789	\$1,175,217	\$ 222,887	\$ 309,135
—o—	—o—	—o—	—o—	36,315*	—o—	—o—	—o—
41,497	\$ 407,507	\$ 586,889	\$ 767,504	\$ 588,474	\$1,175,217	\$ 222,887	\$ 309,135
42,227	218,140	268,160	310,055	375,240	401,416	95,922	97,316
83,724	\$ 625,647	\$ 855,049	\$1,077,559	\$ 963,714	\$1,576,633	\$ 318,809	\$ 406,451
41,962	\$ 707,769	\$ 791,158	\$ 747,265	\$ 709,312	\$1,211,988	\$ 240,010	\$ 328,963
2,035	—o—	130	7,396	2,879	8,004	3,548	157
43,997	\$ 707,769	\$ 791,288	\$ 754,661	\$ 712,191	\$1,219,992	\$ 243,558	\$ 329,120
4,730	4,800	5,050	4,800	4,800	3,811	1,218	—o—
39,267	\$ 702,969	\$ 786,238	\$ 749,861	\$ 707,391	\$1,216,181	\$ 242,340	\$ 329,120
56,940	\$ 86,732	\$ 89,440	\$ 132,373	\$ 143,840	\$ 198,440	\$ 49,610	\$ 49,610
1,000	1,000	1,129	1,491	1,541	2,053	513	513
16,303	4,365	4,838	846	14,739	2,089	—o—	2,910
74,243	\$ 92,097	\$ 95,407	\$ 134,710	\$ 160,120	\$ 202,582	\$ 50,123	\$ 53,033
65,024	\$ 610,872	\$ 690,831	\$ 615,151	\$ 547,271	\$1,013,599B	\$ 192,217	\$ 276,087
14,063	165,507	198,267	206,822	244,743	260,821	65,116	65,775
50,961	\$ 445,365	\$ 492,564	\$ 408,329	\$ 302,528	\$ 752,778	\$ 127,101	\$ 210,312
1.50	\$ 1.90	\$ 2.10	\$ 1.74	\$ 1.29	\$ 3.21	\$.54	\$.90

Note D—All adjustments ascertainable by the management as necessary to a fair statement of operating results for the period of three months ended March 31, 1953, and March 31, 1954, have been taken into account for these interim periods.

Note E—The operating results for the period of three months ended March 31, 1954, as shown above are not necessarily indicative of the operating results for the full year ended December 31, 1954.

*Indicates red figures.

DIVIDEND RECORD

During the ten years 1944 to 1953, inclusive, the Company declared cash dividends on its outstanding Common Stock, as follows:

Year	Cash Dividends Per Share(1)	Pro Forma Cash Dividends Per Share(2)	Total Cash Dividends
1944	\$0.60	\$0.44	\$ 85,200
1945	0.60	0.44	85,200
1946	0.90	0.65	127,800
1947	1.10	0.80	156,200
1948	0.82½	0.60	140,580
1949	1.00	0.73	170,400
195076	0.69	161,880
195180	0.73	170,400
195280	0.73	170,400
1953	1.00	0.91	213,000

(1) Based on shares outstanding at end of year.

(2) Adjusted to give effect to 25% stock dividend paid August 25, 1950 and to 10% stock dividend paid January 1, 1954.

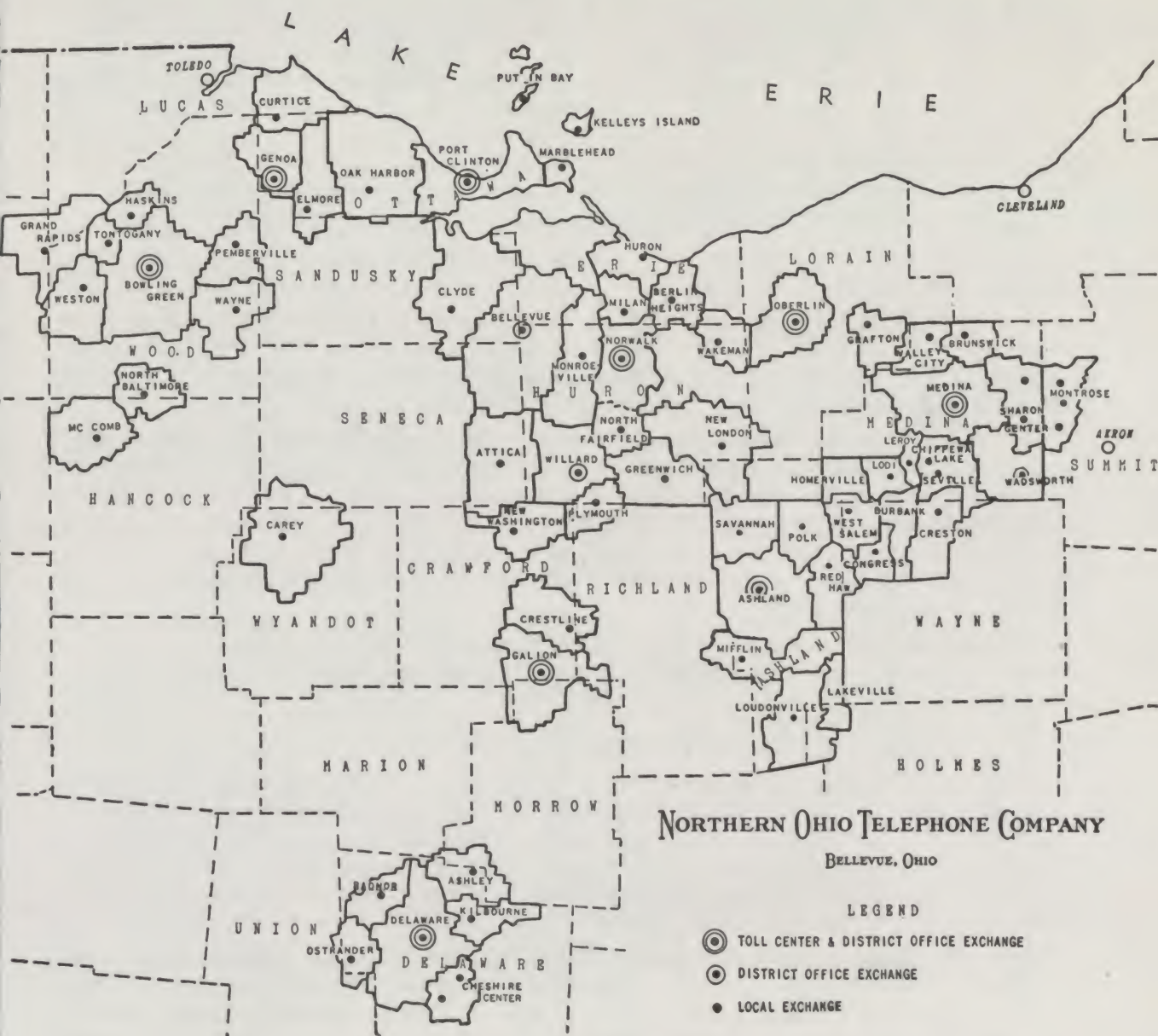
The Company's practice since 1927 has been to pay dividends on its Common Stock quarterly. A dividend of 30¢ per share declared in 1953, was paid on January 1, 1954, and a dividend of 32½¢ per share was paid April 1, 1954. A dividend of 32½¢ per share was declared May 1, 1954, payable August 1, 1954 to shareholders of record July 22, 1954. Future dividends are dependent upon the earnings and cash position of the Company, upon the restrictive provisions of the Eighth Supplemental Indenture described under "Description of Common Stock" herein and upon other relevant factors at the times the declaration of dividends is considered.

The Company and its predecessor, The Local Telephone Company, have paid full dividends on their preferred stock continuously for 53 years and have paid dividends on their common stock in every year for at least 36 years.

PROPERTY

The Company operated on March 31, 1954, a total of 66 separate telephone exchanges with a total number of connected stations as of that date of 85,215. Of this total 55 exchanges with 76,995 telephones provide full dial or automatic service to more than 90% of the Company's connected telephones.

The Company operates generally in the counties of Wood, Ottawa, Erie, Huron, Lorain, Crawford, Medina, Delaware and Ashland, with exchanges in or service extending into and partially serving the counties of Sandusky, Seneca, Wayne, Hancock, Holmes, Richland, Wyandott, Henry, Lucas, Summit, Union, Morrow, Marion, Knox and Putnam. The territory is grouped into thirteen operating districts around county seat or district headquarters and is



knit together into a fairly contiguous operating area extending in general from Medina to Bowling Green and from Port Clinton to Delaware.

The Company owns its own real estate with brick, fireproof telephone buildings at Ashland, Bellevue, Norwalk, Delaware, Galion, Willard, Clyde, Genoa, Curtice, North Baltimore, Wayne, Weston, Elmore, Kelleys Island, Marblehead, Oak Harbor, Put-In-Bay, Berlin Heights, Milan, Grafton, Wakeman, Greenwich, New Washington, Brunswick, Montrose, Sharon Center, Valley City, Cheshire Center, Kilbourne, Ostrander, Radnor, Ashley, Polk, Red Haw, Savannah, Congress, Burbank, Homerville, Seville, Chippewa Lake, Creston and Leroy; semi-fireproof brick buildings at Bowling Green, Port Clinton, Medina, Oberlin, Wadsworth, Huron, McComb, New London, Monroeville, Plymouth, Loudonville, Lodi, Lakeville and West Salem; and frame buildings at Grand Rapids, Mifflin, Perrysville and Jeromesville.

The Company owns a telephone distribution plant including 4,481 miles of pole lines, 23,429 miles of aerial wire, 98,860 miles of wire in aerial cable and 112.6 single duct miles of underground conduit.

In addition to its telephone central offices or exchanges, the Company owns and operates 6,982 miles of its own toll or long distance lines. All nine of the Company's toll center switchboards are equipped for and provide operator toll dialing to the network of over 2,500 exchanges in the United States equipped for toll dialing.

The Company's First Mortgage Trust Deed, dated February 1, 1927, and the eight supplemental indentures thereto are, in the opinion of the Company's counsel, a direct first lien on all of its fixed property and franchises, subject only to certain exceptions of a minor character as set forth in said indenture. The First Mortgage Trust Deed and supplemental indentures secure the Company's First Mortgage Bonds now outstanding in the aggregate principal amount of \$6,152,000 and any other bonds which may be hereafter issued pursuant to the provisions of the Trust Deed.

The foregoing statements with respect to the Company's title to its properties have been reviewed by its General Counsel, Allan G. Aigler, Esq., and are made upon his authority as an expert.

STATE REGULATION

The Company is a public utility within the meaning of the Ohio law and is subject to the jurisdiction of the Public Utilities Commission of Ohio. That Commission is vested with broad powers of supervision and regulation, including regulation as to service, extensions of service, abandonments, issuance of securities, accounts, purchase and sale of utility property, the determination of just and reasonable rates when not fixed by contract with a municipality, merger and consolidation and other matters.

Under the statutes relating to public utilities no other telephone company can invade the territory served by the Company without obtaining a certificate of convenience and necessity from the Commission. Revised Code, Section 4905.24. In each of the towns in which the Company operates, it either has a consent of the municipal authorities indeterminate as to duration or it has had such consent for a definite period which the Company, by reason of the statutes referred to hereinafter under "Franchises" and the above mentioned provision, has not endeavored to renew upon its expiration.

RATES

Pursuant to approval granted by the Public Utilities Commission of Ohio the Company put in effect a general increase in local exchange rates beginning at the first billing period after April 16, 1953. The Company concurs in long distance rates established by the Bell System under authority of the Federal Communications Commission and the Public Utilities Commission of Ohio.

FRANCHISES

The general effect of the franchises and concessions under which the Company operates is summarized below. The following are brief statements of the general effect of the Constitution and laws of Ohio and of the documents hereinafter mentioned. They do not purport to be complete and reference is made to said Constitution, laws and documents for a full and complete statement of the provisions thereof.

All of the exchanges and telephone lines of the Company are located within the State of Ohio. The Company's telephone communication system, consisting of poles, wires and cables, is located on streets, highways and lands owned for the most part by others than the Company. The Company obtains its right to occupy the streets and highways with telephone lines and the right to appropriate private property for such purpose by virtue of the provisions of Sections 4931.01, 4931.03, 4931.04, 4931.05, 4931.08 and 4931.11 of the Revised Code of Ohio.

The Company's rights under the statutes above mentioned are indeterminate as to duration.

Sections 4931.20 and 4931.23 of the Revised Code grant the right to construct and maintain underground lines in streets and public ways of municipalities but only with the consent of the municipalities. The Company has obtained such permits from all the municipalities in which it has underground construction. Such consents contain no provisions as to payment of compensation or as to free service and are indeterminate as to duration.

Constitutional Provisions

The Constitution of Ohio reserves in the Legislature the power to alter, revoke or repeal "special privileges or immunities" (Article 1, Section 2) and the power to alter or repeal general laws under which corporations are formed and regulated (Article XIII, Section 2).

The foregoing statements with reference to regulation and franchises have been reviewed from the standpoint of matters of law and legal conclusions by the Company's General Counsel, Allan G. Aigler, Esq., and to that extent are made upon his authority as an expert.

LABOR RELATIONS

The Company considers that its labor relations have been generally satisfactory. The Company has approximately 750 employees.

The Company has recognized the International Brotherhood of Electrical Workers (AFL), Local Union No. 986, as the collective bargaining representative for its non-supervisory male plant employees including linemen, groundmen, installers, trouble men or inspectors, cablemen, male wire chiefs, switchmen, equipment men, warehousemen, and working foremen.

The Company has recognized the International Brotherhood of Electrical Workers (AFL), Local Union No. 720, as the collective bargaining representative for all of its telephone operators except chief operators, regular supervisors and student operators with less than twelve weeks' service.

Agreements with these unions have been in effect since July 1, 1942. The present contracts expire on July 25, 1954.

LITIGATION

The Company is not a party to, nor is its property the subject of any material legal proceeding departing from the ordinary routine litigation incident to the kind of business conducted by the Company.

MANAGEMENT AND CONTROL

The directors and officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Allan G. Aigler	251 Euclid Avenue, Bellevue, Ohio	Director and Chairman of the Board
Wm. C. Henry	39 Stoutenburg Drive, Norwalk, Ohio	Director, President and General Manager
John E. Wise	152 E. Main St., Norwalk, Ohio	Director and Vice President
W. H. Todd	411 Euclid Avenue, Bellevue, Ohio	Secretary and Treasurer
Dudley A. White	10 S. Pleasant St., Norwalk, Ohio	Director
R. T. Campbell	697 N. Market St., Galion, Ohio	Director
F. W. Uhlman	307 W. Wooster St., Bowling Green, Ohio	Director
Herbert A. Erf	17355 S. Woodland Rd., Shaker Heights, Ohio	Director
H. H. Thornton	1230 W. Grand River Ave., East Lansing, Mich.	Director
Ira L. Porter	293 E. College St., Oberlin, Ohio	Director
Charles H. Campbell	R.F.D. 1, Ashland, Ohio	Director
Alice Knapp Henry	13700 Fairhill Road, Shaker Heights, Ohio	Director
John A. Aigler	231 Huffman St., Bellevue, Ohio	Director
Charles A. Henry	Lyme Township, Bellevue, Ohio	Director
Fred G. Williamson	Bourdette Hotel, Bellevue, Ohio	Director

Allan G. Aigler, an attorney of Bellevue, Ohio, has been a director of the Company since its incorporation in 1926, and served from 1938 to 1946 as President and from January 1,

1946 as Chairman of the Board. He is also General Counsel of the Company. Wm. C. Henry of Norwalk, Ohio, has been a director of the Company since its incorporation in 1926, and served the Company as Secretary and Treasurer and as Assistant General Manager until 1929 when he became General Manager. Since January 1, 1946 he has been President and General Manager. John E. Wise, President of the Citizens National Bank of Norwalk, Ohio, has been a director of the Company since 1926 and a Vice President since 1941. W. H. Todd, Bellevue, Ohio, has been affiliated with the Company for eleven years, the past seven of which he has been Secretary and Treasurer.

The total remuneration paid by the Company to the only officer or director whose remuneration exceeded \$25,000 and to its directors and officers as a group during the year 1953 was as follows:

<u>Name of Individual or Identity of Group</u>	<u>Capacities in which Remuneration was Received</u>	<u>Fees, Salaries & Commissions</u>	<u>Bonuses & Shares in Profits</u>	<u>Estimated Annual Benefits Upon Retirement</u>
Wm. C. Henry	President and General Manager	\$27,500.00 (1)	None	\$10,335 (3)
All directors and officers	All directors and officers	\$38,410.69 (1) (2)	None	\$12,528 (3)

(1) Does not include \$961.39 paid to Wm. C. Henry in 1953 on account of 1952 salary.

(2) Does not include \$242.50 paid to W. H. Todd, Secretary and Treasurer, and \$107.14 paid to Allan G. Aigler, Chairman of the Board, in 1953 on account of 1952 salary, or \$4,000 paid to Mr. Aigler for legal services.

(3) Assumes retirement at normal retirement date and no change in present rates of compensation. Under the method of funding the benefits of the Company's Plan of Retirement Benefits no provision is made for the allocation of the annual contributions made to the fund. However, if an allocation of contributions were to be made, the Company estimates that the payments in 1953 for Wm. C. Henry and for all directors and officers as a group would have been \$9,156 and \$9,851, respectively.

Security Ownership

The following are the equity securities of the Company owned by persons who own of record, and as far as the Company is informed who own beneficially, more than 10 per cent of any class of stock and those owned by directors and officers as a group as of March 31, 1954.

<u>Name and Address</u>	<u>Title of Class</u>	<u>Type of Ownership(1)</u>	<u>Amount Owned</u>	<u>Percentage of Class</u>
Wm. C. Henry 39 Stoutenburg Drive Norwalk, Ohio	Common	Record	38,140 shares	16.28
Allan G. Aigler 251 Euclid Avenue Bellevue, Ohio	Common 5% Class A 5% Class B 4 $\frac{1}{4}$ % Preferred	Record Record Record Record	10,712 9 162 100	4.57 0.08 1.31 0.83
Allan G. Aigler and Wm. C. Henry, Trustees	Common	Record	111,375	47.54
Alice Knapp Henry 13700 Fairhill Road Shaker Heights, Ohio	Common 5% Class A 5% Class B	Record Beneficially Record Beneficially Record Beneficially	4,950 22,275 265 1,301 55 143	2.11 9.51 2.21 10.84 0.44 1.16
Magdalene K. Aigler 251 Euclid Avenue Bellevue, Ohio	Common 5% Class A	Record Beneficially Record	5,293 22,275 256	2.26 9.51 2.13
Frances Knapp Erf 17355 S. Woodland Rd. Shaker Heights, Ohio	Common 5% Class A	Record Beneficially Record	4,165 22,275 140	1.78 9.51 1.17
Winifred Knapp Thornton 1230 W. Grand River Ave. East Lansing, Michigan	Common 5% Class A	Record, jointly with H. H. Thornton Beneficially Record, jointly with H. H. Thornton	8,250 22,275 350	3.52 9.51 2.92
Sarah Sykes Magnuson 630 West Lafayette Tallahassee, Florida	Common 5% Class A 5% Class B 4 $\frac{1}{4}$ % Preferred	Beneficially Beneficially, jointly with Dr. H. U. Sykes Record Record Record	8,305 22,275 221 29 40	3.54 9.51 1.84 0.02 0.33
All Officers and Directors	Common 5% Class A 5% Class B 4 $\frac{1}{2}$ % Preferred 4 $\frac{1}{4}$ % Preferred	Record Record Record Record Record	189,545 685 241 18 107	80.90 5.71 1.95 0.09 0.89

(1) All holdings shown as owned of "Record" are also owned beneficially, except the 111,375 shares held by Allan G. Aigler and Wm. C. Henry, Trustees, which are beneficially owned by Mesdames Henry, Aigler, Erf, Thornton and Magnuson and Dr. H. U. Sykes as indicated.

An aggregate of 111,375 shares of the Company's Common Stock, constituting 47.54% of the 234,300 shares presently outstanding, is held by Allan G. Aigler, Director and Chairman of the Board, and Wm. C. Henry, Director, President and General Manager, acting as joint trustees under five separate trust agreements. The trust agreements are identical as to amounts of stock held (22,275 shares each), as to the powers of the Trustees, term during which the trusts continue and all other material matters, except as to the beneficiaries. These trusts were created under date of December 28, 1935 by Frank A. Knapp for the benefit of his four daughters, Frances Knapp Erf, Alice Knapp Henry, Magdalene K. Aigler, and Winifred Knapp Thornton and for the joint benefit of his son-in-law, Dr. H. U. Sykes, and granddaughter, Sarah Sykes Magnuson. Income from each trust, and the proceeds of the trust property in the event of a sale, are payable directly to the beneficiaries. The Trustees have full voting rights and full power to sell, lease, transfer or exchange the trust property, subject to the provision that the shares of Common Stock which constitute the trust property may be sold only in toto and not in lesser amounts. Each trust agreement contains various provisions as to distribution in the event of the death of the named beneficiaries, makes provision for one successor trustee, H. H. Thornton, a Director of the Company, and provides for termination of the trust and distribution of the trust property upon the death of the two present Trustees, or upon the sale of the shares of Common Stock by the Trustees. The foregoing is a brief summary of the provisions of the trust agreements, copy of one of which is filed as an exhibit to the Registration Statement, and is qualified in its entirety by reference to these trust agreements.

DESCRIPTION OF COMMON STOCK

Subject to the provisions of the Company's Preferred Stock and to the restrictions contained in the Eighth Supplemental Indenture dated November 1, 1952 to the Company's First Mortgage Trust Deed, dated February 1, 1927, the holders of Common Stock are entitled to such dividends thereon as the Board of Directors in its discretion may declare out of funds legally available therefor. The provisions of the Company's Articles of Incorporation creating the Preferred Stock require that no cash dividends shall be paid on the Common Stock except out of surplus or net profits (other than initial or capital surplus) arising from the business of the Company subsequent to January 1, 1927 and provide that in no event shall any dividend be declared or paid or any distribution made upon the Common Stock while any of the Preferred Stock is outstanding until (1) the full cumulative dividends on the Preferred Stock shall have been paid or set apart for all past quarterly dividend periods, and (2) the full cumulative dividends on the Preferred Stock for the current quarterly dividend period shall have been declared and paid or a sum sufficient for the payment thereof set apart. The annual dividend requirement on the 56,372 shares of the Company's Preferred Stock presently outstanding is \$262,860 per year. There are no accumulated unpaid dividends on the Preferred Stock and the Preferred dividend for the quarterly period ending June 30, 1954 has been declared, payable August 1, 1954. The Eighth Supplemental Indenture provides that so long as the bonds secured thereby are outstanding, the Company will not declare or pay any dividends (other than stock dividends) upon any shares of its capital stock, other than preferred stock, except out of the balance of consolidated net earnings made by it subsequent to December 31, 1950, remaining after provision for the payment of dividends on such preferred stock. At December 31, 1953 surplus amounting to \$789,186.84 was free of such restriction.

Each share of Common Stock is entitled to one vote and the Common Stock has the entire voting power of the Company, except as otherwise provided by law and except that the written consent (without a meeting) or affirmative vote of the holders of at least two-thirds of the outstanding Preferred Stock is necessary for:

(1) The authorization or issue of any stock having priority or preference over the Preferred Stock as to earnings or assets;

(2) The authorization or issue of any stock on a parity with, or the increase of the number of shares of Preferred Stock authorized to be issued, so as to make the authorized Preferred Stock in excess of Ten Million Dollars (\$10,000,000);

(3) An amendment of the Articles of Incorporation so as to affect adversely the rights of the Preferred Stock;

(4) The sale, lease or other disposition of all or substantially all of the real estate, plants and other fixed properties of the Company;

(5) The merger or consolidation of the Company into or with any other corporation unless such merger or consolidation be effected upon such terms that the rights of the Preferred Stock are not thereby impaired and the Company does not issue any additional Preferred Stock or any notes, bonds or other obligations or any stock having preference over or on a parity with the Preferred Stock; and

(6) The purchase, redemption or other acquisition by the Company of any shares of stock subordinate to the Preferred Stock, except for the purpose of resale to employees.

A unanimous vote of the holders of Preferred Stock is required to decrease the dividend rate on the Preferred Stock, change the cumulative provisions thereof, decrease the amount per share to be paid in case of redemption, dissolution or liquidation, or change the voting rights of the Preferred Stock except in connection with the authorization or increase of stock having a priority or preference over or on a parity with the Preferred Stock.

Cumulative voting for the election of directors is permitted by the laws of Ohio.

In the event of liquidation, the holders of the Common Stock are entitled to share ratably in the distribution of all assets remaining after the payment of the redemption price to the holders of Preferred Stock, plus all accumulated unpaid dividends. The redemption prices of the presently outstanding shares of Preferred Stock are:

5% Class A Preferred Stock, \$110 per share

5% Class B Preferred Stock, \$105 per share

4 $\frac{1}{4}$ % Preferred Stock, \$105 per share

4 $\frac{1}{2}$ % Preferred Stock, \$105 per share.

There are no conversion rights, redemption provisions or sinking fund provisions applicable to the Common Stock. The Company's Articles of Incorporation provide that the holders of Common Stock shall have preemptive rights to subscribe for any additional shares of Common Stock or obligations convertible into or carrying warrants to subscribe for Common Stock, except shares or obligations issued for property with the approval of the Public Utilities Commission of Ohio. Any such shares or obligations not subscribed for by holders of Common

Stock within the period fixed by the Board of Directors may be disposed of as the Board of Directors in their absolute discretion may determine.

In the opinion of counsel for the Company the outstanding Common Stock is full paid and non-assessable and the Additional Common Shares, when issued and sold as set forth herein, will be full paid and non-assessable.

UNDERWRITING

Hayden, Miller & Co. and Lawrence Cook & Company are the Representatives of the Underwriters. The Underwriters are not irrevocably bound to purchase the Unsubscribed Shares as their obligations are subject to certain conditions which, if not fulfilled, will give the Representative the right to terminate the Underwriting Agreement prior to the delivery of such shares.

The names and addresses of the Underwriters and the respective percentages of the Unsubscribed Shares which each has severally agreed to purchase are as follows:

<u>Name</u>	<u>Address</u>	<u>Percentage of Unsubscribed Stock</u>
Hayden, Miller & Co.	Union Commerce Building Cleveland 14, Ohio	17.92573
McDonald & Company	Union Commerce Building Cleveland 14, Ohio	17.07213
Merrill, Turben & Co.	Union Commerce Building Cleveland 14, Ohio	12.80410
Lawrence Cook & Company	603 Fidelity Building Cleveland 14, Ohio	10.37132
Ball, Burge & Kraus	1790 Union Commerce Building Cleveland 14, Ohio	6.40205
Fahey, Clark & Co.	1737 Union Commerce Building Cleveland 14, Ohio	6.40205
The First Cleveland Corporation	700 National City-East Sixth Building Cleveland 14, Ohio	6.40205
Prescott Shepard & Co., Inc.	900 National City Bank Building Cleveland 14, Ohio	6.40205
Collin, Norton & Co.	Gardner Bldg. Toledo 4, Ohio	2.98762
Curtiss, House & Co.	Union Commerce Building Cleveland 14, Ohio	2.98762
H. L. Emerson & Co., Incorporated..	Union Commerce Building Cleveland 14, Ohio	2.56082
Field, Richards & Co.	Union Commerce Building Cleveland 14, Ohio	2.56082

<u>Name</u>	<u>Address</u>	<u>Percentage of Unsubscribed Stock</u>
Olderman, Asbeck & Co.	886 Union Commerce Building Cleveland 14, Ohio	2.56082
Sweney, Cartwright & Co.	Huntington Bank Building Columbus 15, Ohio	2.56082
		<hr/> 100.

The Underwriting Agreement provides that the Underwriters agree to distribute not less than 80% of the Common Stock, purchased by them pursuant to the Underwriting Agreement, within the State of Ohio, and that they will not fill any order for more than 1,000 shares without the approval of the Company.

LEGAL OPINIONS

The legality of the shares offered hereby is being passed upon for the Company by its General Counsel, Allan G. Aigler, Esq., Vickery Block, Bellevue, Ohio, and for the Underwriters by Messrs. Squire, Sanders & Dempsey, Union Commerce Building, Cleveland, Ohio. (Reference is made to "Management and Control" for a description of the relationship of Mr. Aigler to the Company.)

EXPERTS

The financial statements and schedules for the Company included in this Prospectus and in the Registration Statement have been examined by Ernst & Ernst, independent public accountants. The tabulation included under the heading "Summary of Earnings" in this Prospectus has been reviewed by Ernst & Ernst insofar as it relates to the five years ended December 31, 1953. Such financial statements, schedules, and said tabulation insofar as it relates to the five years ended December 31, 1953, are set forth in this Prospectus and in the Registration Statement in reliance upon the opinions of Ernst & Ernst as expressed in their reports included herein given upon their authority as experts in auditing and accounting.

The statements as to matters of law and legal conclusions made in this Prospectus under the headings "Property", "State Regulation", "Franchises", "Litigation" and "Description of Common Stock" are made on the authority of Allan G. Aigler, Esq.

FURTHER INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office in Washington, D. C., upon payment of the fee prescribed by the rules and regulations of the Commission, or examined there without charge.

NORTHERN OHIO TELEPHONE COMPANY

By WM. C. HENRY
President

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors,
Northern Ohio Telephone Company,
Bellevue, Ohio.

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1953, and the related statements of income and surplus for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Northern Ohio Telephone Company at December 31, 1953, and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We also have reviewed the tabulation of total operating revenues and operating results of Northern Ohio Telephone Company hereinbefore set forth under the heading "Summary of Earnings" for the period of five years ended December 31, 1953. The tabulation as to the period of three years ended December 31, 1953, was compiled from the financial statements included herewith and reported upon above, and as to the two preceding years was compiled from financial statements of the Company previously reported on by us based on similar examinations. In our opinion, such tabulation presents fairly, in summarized form, the results of operations of Northern Ohio Telephone Company for the period of five years ended December 31, 1953, in accordance with generally accepted accounting principles applied on a consistent basis.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
February 26, 1954

INDEX TO FINANCIAL STATEMENTS

The following financial statements are included in the Prospectus together with Report of Independent Public Accountants:

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Statement of income	26, 27
Statement of surplus	28
Notes to financial statements	29, 30
Supplementary profit and loss information	31

NORTHERN OHIO TELEPHONE COMPANY

BALANCE SHEET

December 31, 1953

A S S E T S

PLANT AND OTHER INVESTMENTS

Telephone plant in service

Comprises land, buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment and tools—Note A

\$19,033,541.34

Telephone plant under construction—at cost

88,266.05

\$19,121,807.39

Less reserve for depreciation—Note B

2,717,918.37

\$16,403,889.02

Other investments

Stock owned in other telephone company (at cost) and advances

72,350.70

\$16,476,239.72

CURRENT ASSETS

Cash

\$ 518,212.13

Special cash deposits and working funds

32,603.24

Notes and land contract receivable

17,192.78

Accounts receivable (including unbilled of \$135,356.17)

Amounts due for service, toll settlements, and miscellaneous items,
less reserve of \$21,081.76 for uncollectible accounts

567,471.57

Materials and supplies

Principally for construction and maintenance purposes—Note C

1,021,924.59

2,157,404.31

DEFERRED CHARGES

Prepayments

Insurance, automobile licenses, rents, and other expenses applicable to
period after close of year

\$ 14,801.62

Discount on funded debt

Net balance of the discount and expense on bonds in process of
amortization—Note D

39,143.01

53,944.63

\$18,687,588.66

See notes to financial statements.

NORTHERN OHIO TELEPHONE COMPANY

BALANCE SHEET

December 31, 1953

L I A B I L I T I E S

CAPITAL STOCK AND SURPLUS

Capital stock—Note E:

Preferred stock, cumulative, \$100.00 par value:

5% Class A Preferred stock (redeemable at \$110.00 per share):

Authorized 12,000 shares; issued and outstanding 12,000 shares \$ 1,200,000.00

5% Class B Preferred stock (redeemable at \$105.00 per share):

Authorized 16,000 shares; issued and outstanding 12,163 shares 1,216,300.00

4½% Preferred stock (redeemable at \$105.00 per share):

Authorized 30,000 shares; issued and outstanding 20,000 shares 2,000,000.00

4¼% Preferred stock (redeemable at \$105.00 per share):

Authorized 12,000 shares; issued and outstanding 12,000 shares 1,200,000.00

Common stock, without par value:

Authorizing 300,000 shares; issued and outstanding 234,300 shares
including 21,300 shares to be issued on January 1, 1954, as a stock
dividend

2,343,000.00

Installments paid on capital stock

2,454.00

Surplus—Note F—see statement:

Capital surplus 1,158,166.05

Earned surplus 1,298,829.16

\$10,418,749.21

FUNDED DEBT

First Mortgage Bonds, authorized \$15,000,000.00, less \$48,000.00 redeemed
through operation of sinking fund issuable in series—Note G:

3½% Series, due November 1, 1982 \$ 1,800,000.00

3¼% Series, due August 1, 1965 2,752,000.00

2⅞% Series, due November 1, 1980 1,600,000.00

6,152,000.00

CURRENT LIABILITIES

Note payable to bank \$ 200,000.00

Accounts payable

Amounts owing for payroll, materials, supplies, toll settlements, sub-
scribers excise taxes, and miscellaneous expenses

242,413.55

Subscribers' advance billings and payments

113,738.23

Accrued taxes

212,389.76

Federal taxes on income—estimated

1,163,539.05

Unmatured interest and dividends

184,758.86

2,116,839.45

\$18,687,588.66

NORTHERN OHIO TELEPHONE COMPANY
STATEMENT OF INCOME

Period of Three Years ended December 31, 1953

	Year Ended December 31,		
	1951	1952	1953
OPERATING REVENUES			
Local service revenues	\$2,451,360.84	\$2,603,991.29	\$3,222,994.09
Toll service revenues	1,555,732.72	1,666,401.60	1,942,848.79
Directory advertising and sales	145,283.21	173,103.22	203,106.38
Miscellaneous revenues			
Revenues from rentals, private lines, and miscellaneous services	39,266.61	37,796.64	41,940.41
Less provision for uncollectible revenues	12,798.36*	12,000.00*	12,000.00*
TOTAL OPERATING REVENUES	\$4,178,844.52	\$4,469,292.75	\$5,398,389.67
OPERATING EXPENSES—Note H			
Current maintenance			
Cost of repairs, inspections, and rearrangements, required to keep plant and equipment in good operating condition	\$ 594,138.66	\$ 736,850.85	\$ 641,939.90
Depreciation expense			
Provision for decrease in value of telephone plant by reason of wear or obsolescence			
This is at the rate of approximately 4% of average investment in depreciable plant in service during 1951, 1952, and 1953	496,535.88	567,283.61	633,364.44
Traffic expenses			
Operators wages and other costs in handling messages	821,738.74	874,080.78	930,244.11
Commercial expenses			
Cost incurred in business relation with customers, advertising, pay station commissions, and cost of directories	219,421.27	258,478.99	277,160.20
General office expenses			
Cost of preparing subscribers bills, general accounting, salaries of officers, and legal expenses	155,827.81	151,249.89	159,220.05
Other operating expenses			
Pensions, insurance, building and pole rentals, and other operating expenses	66,358.60	208,322.16	196,264.05
TOTAL OPERATING EXPENSES	\$2,354,020.96	\$2,796,266.28	\$2,838,192.75
	\$1,824,823.56	\$1,673,026.47	\$2,560,196.92

*Indicates red figures.

NORTHERN OHIO TELEPHONE COMPANY
STATEMENT OF INCOME
Period of Three Years ended December 31, 1953

	Year Ended December 31,		
	1951	1952	1953
OPERATING TAXES			
Federal taxes on income (no excess profits taxes)	\$ 767,503.96	\$ 624,789.18	\$1,056,437.14
Less adjustment of prior years taxes	—o—	36,314.97	—o—
	\$ 767,503.96	\$ 588,474.21	\$1,056,437.14
County, state excise, social security and other taxes— Note H	310,055.24	375,240.44	394,563.15
TOTAL OPERATING TAXES	\$1,077,559.20	\$ 963,714.65	\$1,451,000.29
NET OPERATING REVENUE	\$ 747,264.36	\$ 709,311.82	\$1,109,196.63
OTHER INCOME	7,396.65	2,879.47	8,004.77
	\$ 754,661.01	\$ 712,191.29	\$1,117,201.40
OTHER DEDUCTIONS	4,800.00	4,800.00	3,811.45
NET INCOME BEFORE FIXED CHARGES	\$ 749,861.01	\$ 707,391.29	\$1,113,389.95
FIXED CHARGES			
Interest expense on funded debt	\$ 132,373.30	\$ 143,840.04	\$ 198,440.01
Amortization of discount on funded debt—Note D	1,490.64	1,541.32	2,053.32
Other interest	846.03	14,738.45	2,089.02
TOTAL FIXED CHARGES	\$ 134,709.97	\$ 160,119.81	\$ 202,582.35
NET INCOME	\$ 615,151.04	\$ 547,271.48	\$ 910,807.60

See notes to financial statements.

NORTHERN OHIO TELEPHONE COMPANY
STATEMENT OF SURPLUS

Period of Three Years ended December 31, 1953

	Year Ended December 31,		
	1951	1952	1953
CAPITAL SURPLUS			
Balance at beginning of period	\$ 915,296.59	\$ 915,296.59	\$ 945,166.05
Additions:			
Surplus arising from revaluation of net assets of The Star Telephone Company, acquired as of Janu- ary 1, 1949, in accordance with amounts fixed by The Public Utilities Commission of Ohio, less ap- plicable depreciation in the amount of \$23,954.18	—o—	29,869.46	—o—
Transferred from earned surplus in connection with 10% stock dividend	—o—	—o—	213,000.00
Balance at end of period	\$ 915,296.59	\$ 945,166.05	\$1,158,166.05
EARNED SURPLUS			
Balance at beginning of period	\$ 917,783.93	\$1,155,713.26	\$1,287,842.15
Add: Net income from statement of income	615,151.04	547,271.48	910,807.60
	\$1,532,934.97	\$1,702,984.74	\$2,198,649.75
Deduct:			
Cash dividends declared or paid:			
On 5% Preferred stock—\$5.00 per share	\$ 65,815.04	\$ 103,735.71	\$ 119,813.54
On 4½% Preferred stock—\$4.50 per share	90,006.67	90,006.88	90,007.05
On 4¼% Preferred stock—\$4.25 per share	51,000.00	51,000.00	51,000.00
On Common stock—\$.80 per share in 1951 and 1952, and \$1.00 per share in 1953	170,400.00	170,400.00	213,000.00
	\$ 377,221.71	\$ 415,142.59	\$ 473,820.59
Stock dividend declared—10% on common stock— 21,300 shares at assigned value of \$20.00 per share, including \$10.00 per share transferred to capital stock as approved by The Public Utilities Com- mission of Ohio	—o—	—o—	426,000.00
	\$ 377,221.71	\$ 415,142.59	\$ 899,820.59
Balance at close of period	\$1,155,713.26	\$1,287,842.15	\$1,298,829.16

See notes to financial statements.

NORTHERN OHIO TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS
Period of Three Years ended December 31, 1953

NOTE A—TELEPHONE PLANT

Telephone plant in service is stated at amounts fixed by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

NOTE B—DEPRECIATION

Depreciation of telephone plant in service was computed at rates which were acceptable to the Public Utilities Commission of Ohio. Such rates were generally considered to be sufficient to extinguish the gross carrying amount of the various classes of depreciable assets over their estimated useful lives. The range of rates used for the period of three years in determining the depreciation for the various classes of property, follows:

Rights of Way	1.8%
Buildings	3.75%
Central Office Equipment	4.0%
Station Apparatus	5.30 to 5.35%
Private Branch Exchanges	5.0 to 7.0%
Booths and Special Fittings	5.0 to 7.0%
Pole Lines	3.9 to 4.0%
Cable	3.2 to 3.3%
Aerial Wire	4.1%
Underground Conduit	1.5 to 1.8%
Furniture and Office Equipment	6.0 to 6.5%
Motor Vehicles	7.0%
Other Work Equipment	7.0%

Maintenance and repairs were charged to expense, whereas renewals and betterments were capitalized.

Accounting for retirement or disposal of depreciable property was in accordance with treatment prescribed by The Public Utilities Commission of Ohio. Such instructions provide that the reserve for depreciation is charged with the average or approximate cost of depreciable items retired or disposed of, and credited with salvage value or proceeds, if any, resulting therefrom.

NOTE C—MATERIALS AND SUPPLIES

Materials and supplies are stated at approximate cost (latest) or replacement value with respect to reusable items retired from telephone plant in service.

NOTE D—UNAMORTIZED DEBT DISCOUNT AND EXPENSE

Unamortized debt discount and expense is being amortized on a straight-line method over the life of the related debt.

NOTE E—CAPITAL STOCK

Since December 31, 1953, the authorized Common stock of the Company has been changed from 300,000 shares without par value to 700,000 shares having a par value of \$10.00 per share. Authorized Preferred stock was increased from 70,000 shares (all of which had been designated as to dividend rates and redemption prices) to 100,000 shares of which the additional 30,000 shares were undesignated as to dividend rates and redemption price.

NOTES TO FINANCIAL STATEMENTS—Continued

The 10,000 shares of 4½% Preferred stock authorized but unissued at December 31, 1953, have been redesignated as 5% Class B Preferred stock.

There has been no increase in stated capital as a result of the foregoing actions.

The Preferred stocks of the Company are redeemable upon not less than thirty days nor more than sixty days notice at the redemption prices and for the aggregate amounts shown in the following summary plus an amount equivalent to accrued dividends. In the event of liquidation Preferred stockholders are also entitled to such redemption prices and aggregate amounts.

Series	Number of Shares	Redemption or Liquidation Price	Par Value	Aggregate Redemption or Liquidation Price
5% Class A	12,000	\$110.00	\$1,200,000.00	\$1,320,000.00
5% Class B	12,163	105.00	1,216,300.00	1,277,115.00
4½%	20,000	105.00	2,000,000.00	2,100,000.00
4¼%	12,000	105.00	1,200,000.00	1,260,000.00
			<u>\$5,616,300.00</u>	<u>\$5,957,115.00</u>

There is no restriction on surplus as a result of the fact that redemption or liquidation price exceeds par value of Preferred stock.

There are no arrearages in Preferred dividends.

NOTE F—SURPLUS

Under the terms of the Eighth Supplemental Indenture dated November 1, 1952, to the First Mortgage Trust Deed, surplus amounting to \$789,186.84 is available for payment of cash dividends on common stock.

NOTE G—FUNDED DEBT

Secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide a sinking fund by annual payment to the trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60 per cent of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

The required payments to the sinking fund for each of the five years subsequent to January 1, 1954, are \$62,000.00 per year.

NOTE H—SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Information pertaining to maintenance and repairs, depreciation and amortization, taxes (other than taxes on income), rents and royalties is submitted in the schedule of Supplementary Profit and Loss Information.

NOTE I—RETIREMENT ANNUITY PLAN

The contribution under the pension plan for employees of the Company amounted to \$105,337.40 for the year 1953, including a portion of past service costs. The plan provides generally for retirement at age 65 and benefits based on length of service and average annual salary or wages. At December 31, 1953, the estimated unfunded portion of past service costs amounted to approximately \$607,000.00.

NOTE J—REPORTED INCOME

Reported income includes sundry charges and credits (amounts not significant) previously included in the surplus account.

NORTHERN OHIO TELEPHONE COMPANY
SUPPLEMENTARY PROFIT AND LOSS INFORMATION
Period of Three Years ended December 31, 1953

Item	Charged Directly to Profit and Loss		
	Operating Expenses	Other (Note A)	Total
YEAR ENDED DECEMBER 31, 1951:			
Maintenance and repairs	\$ 594,138.66	\$ —0—	\$ 594,138.66
Depreciation and amortization	496,535.88	17,170.44	513,706.32
Taxes other than income and excess profits taxes:			
Payroll taxes	\$ 39,839.52	\$ —0—	\$ 39,839.52
Real and personal property taxes	156,034.98	—0—	156,034.98
Excise taxes	111,855.93	—0—	111,855.93
Other	2,324.81	—0—	2,324.81
TOTAL TAXES	\$ 310,055.24	\$ —0—	\$ 310,055.24
Management and service contract fees	—0—	—0—	—0—
Rents and royalties	18,704.81	—0—	18,704.81
YEAR ENDED DECEMBER 31, 1952:			
Maintenance and repairs	\$ 736,850.85	\$ —0—	\$ 736,850.85
Depreciation and amortization	567,283.61	18,698.76	585,982.37
Taxes other than income and excess profits taxes:			
Payroll taxes	\$ 49,461.90	\$ —0—	\$ 49,461.90
Real and personal property taxes	198,000.00	—0—	198,000.00
Excise taxes	118,586.28	—0—	118,586.28
Other	2,372.68	—0—	2,372.68
TOTAL TAXES	\$ 368,420.86	\$ —0—	\$ 368,420.86
Management and service contract fees	—0—	—0—	—0—
Rents and royalties	21,792.25	—0—	21,792.25
YEAR ENDED DECEMBER 31, 1953:			
Maintenance and repairs	\$ 641,939.90	\$ —0—	\$ 641,939.90
Depreciation and amortization	633,364.44	20,516.64	653,881.08
Taxes other than income and excess profits taxes:			
Payroll taxes	\$ 45,396.33	\$ —0—	\$ 45,396.33
Real and personal property taxes	204,000.00	—0—	204,000.00
Excise taxes	142,733.15	—0—	142,733.15
Other	2,433.67	—0—	2,433.67
TOTAL TAXES	\$ 394,563.15	\$ —0—	\$ 394,563.15
Management and service contract fees	—0—	—0—	—0—
Rents and royalties	14,359.21	—0—	14,359.21

NOTE A—Represents depreciation which has been charged to clearing accounts and then redistributed to other accounts.

117,150 Shares

Northern Ohio Telephone Company

Common Stock
(Par value \$10 per share)

PROSPECTUS

Date of Issue — May 12, 1954
